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«Банк Хоум Кредит» АҚ ЕБ / ДБ АО «Банк Хоум Кредит»
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АО «Казахстанская фондовая биржа»

ДБ АО «Банк Хоум Кредит» (далее - Банк) сообщает о том, что рейтинговым агентством Fitch по состоянию на 10.11.2016г. были подтверждены следующие кредитные рейтинги Банка:

Долгосрочные рейтинги дефолта эмитента (далее – РДЭ) в иностранной и национальной валюте были повышены с уровня “B” до уровня "B+", прогноз "Стабильный".

Краткосрочный РДЭ в иностранной валюте подтвержден на уровне "B".

Национальный долгосрочный рейтинг был повышен с уровня “BB+” до уровня "BBB(kaz)", прогноз "Стабильный".

Рейтинг устойчивости был повышен с уровня “b” до уровня "b+".

Рейтинг поддержки подтвержден на уровне "4".

Рейтинг старшего необеспеченного долга был повышен с уровня “B” до уровня "B+", прогноз "Стабильный" (облигации Банка НИН KZP01Y05E657, ISIN KZ2C00002517).

Долгосрочный Национальный рейтинг старшего необеспеченного долга был повышен с уровня "BB+(kaz)" до уровня "BBB(kaz)".

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FITCH UPGRADES TINKOFF AND KAZAKH SUBSIDIARY OF HOME CREDIT; AFFIRMS 3 OTHER RUSSIAN RETAIL BANKS

Fitch Ratings-Moscow/London-11 November 2016: Fitch Ratings has upgraded Tinkoff Bank's (Tinkoff) Long-Term Issuer Default Ratings (IDRs) to 'BB-' from 'B+' and Kazakhstan-based SB JSC Home Credit and Finance Bank (HCK) Long-Term IDRs to 'B+' from 'B'. The Outlooks are Stable.

Fitch has also affirmed the IDRs of Russia-based OTP Bank (OTP) at 'BB', Home Credit & Finance Bank (HCFB) at 'B+', and Orient Express Bank (OEB) at 'B-'. The Outlooks on HCFB and OTP are Stable and that on OEB is Negative.

A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS
RUSSIAN BANKS
IDRS, VRS, NATIONAL RATINGS
The rating actions reflect the gradual recovery of the Russian consumer finance market, reflected by moderation of credit losses, as banks previously tightened their underwriting standards and reduced loans issuance, and by the reduction of funding costs due to sector-wide influx of rouble liquidity and the Central Bank of Russia (CBR) rate cuts. At the same time, the banks' ratings continue to reflect their focus on a volatile consumer finance market, with asset quality remaining vulnerable to continued weak economic conditions and banks' potentially increased risk appetite, while borrower leverage remains high.

The upgrade of Tinkoff's ratings to 'BB-' reflects the bank's stronger and more resilient performance through the credit cycle compared with peers. It also reflects its solid capital position, significantly reduced wholesale funding dependence and the core deposit base being very granular and sticky despite the bank no longer paying a premium to the average market rate.

The affirmation of HCFB's rating at 'B+/Stable' reflects the bank's improved asset quality and return to profitability in 2H15-1H16, which coupled with moderate planned growth, eliminates near-term pressure on capital. Conversely, the two-notch lower rating and Negative Outlook on OEB reflects continued capital pressure from still negative bottom line results, as its asset quality is somewhat weaker compared with peers. OEB's ratings also factor in some potential downside risks to its asset quality and capitalisation from planned merger with Uniastrum Bank.

The affirmation of OTP's IDRs and Support Rating reflects potential support in case of need by the bank's parent, Hungarian OTP Bank Plc. Fitch believes that the parent bank would have a high propensity to support OTP in light of its majority ownership (98%), high level of integration, common branding and reputational damage from a potential default of OTP. The affirmation of the bank's VR at 'b+' reflects its reasonable asset quality and performance.

The four banks' average credit losses (defined as the increase in loans overdue above 90 days, plus write-offs, divided by average performing loans) declined to 12% in 1H16 from 19% in 2015, due to tighter underwriting standards, reduced volumes of new loan production and the gradual seasoning of legacy problem loans issued in 2012-2013. Credit losses were higher at OEB (16%) but moderate at Tinkoff (12%), OTP (11%) and HCFB (10%). Fitch believes that the latter three banks may return to single digit credit losses in 2H16-2017 absent of any further economic shocks.

The positive trends in the banks' asset quality metrics and lower funding costs have translated into notable profitability improvements. Tinkoff reported an impressive annualised 37% ROAE in 1H16 (9% in 2015), OTP and HCFB showed reasonable returns of 14% and 9%, respectively, (compared with losses of 19% and 20% in 2015). OEB reduced its net loss to 22% of average equity (79% in 2015). Pre-impairment profitability exceeded credit losses at Tinkoff (by about 10%), OTP (5%) and HCFB (3%), while at OEB credit losses were still 3 ppts above the breakeven level.

Basel capitalisation is reasonable at OTP (Fitch Core Capital (FCC) of 21% at end-1H16), HCFB (16%) and Tinkoff (14%), but weaker at OEB (8%), which also received RUB5.6bn of equity injections in 2015-2016 (60% of end-2015 equity) to offset losses and avoid breaching capital requirements. However, in Fitch's view, HCFB's capitalisation is somewhat weakened by material 1.4x double leverage at the level of holding company Home Credit BV, in which HCFB placed RUB9.7bn at end-1H16 (25% of FCC) to finance the group's growing business in Asia. OEB's weak capitalisation is further undermined by the sizeable weak related party exposure (36% of FCC at end-1H16).

Regulatory capitalisation is weaker than Basel due to higher statutory risk weights applied to high margin retail loans; more formal provisioning rules; and a higher operating risk charge. HCFB's regulatory Tier 1 ratio was 7.7% at end-9M16 (compared with the required level of 7.25% from January 2017, of which 6% is the minimum capital ratio and 1.25% is the conservation buffer), but should be supported by reasonable internal capital generation and only moderate loan growth. Tinkoff's Tier 1 ratio was 7.3% at end-9M16, but if 9M16 results were audited it would have been a more comfortable 10.1%. OEB's regulatory Tier 1 ratio was 7.7% at end-9M16, while OTP reported the highest ratio of 12.1%.

The funding profiles of all banks are reasonable, with strong deposit collection capacity and low reliance on wholesale debt. However, OEB's funding base may be more vulnerable given the bank's weaker profile. All four banks are primarily funded with retail customers (around 70%-80% of end-1H16 liabilities), of which the bulk fall under Deposit Insurance protection suggesting they should be relatively sticky, although potentially price-sensitive. Near-term wholesale funding repayments are limited for all four banks. Liquidity cushions at all the banks are reasonable and cover more than 20% of customer deposits. Banks' liquidity positions are also strengthened by fast loan book turnover and proven ability to de-leverage.

SUPPORT RATINGS AND SUPPORT RATING FLOORS

HCFB, Tinkoff and OEB's '5' Support Ratings reflect Fitch's view that support from the banks' shareholders, although possible, cannot be relied upon. The Support Ratings and Support Rating Floors of 'No Floor' also reflect that support from the Russian authorities, although possible given the banks' considerable deposit bases, cannot be relied upon due to the banks' still small sizes and lack of overall systemic importance.

Accordingly, the IDRs of Tinkoff, HCFB and OEB are based on their intrinsic financial strength, as reflected by their VRs.

SENIOR UNSECURED AND SUBORDINATED DEBT RATINGS

Fitch has assigned Tinkoff's new RUB3bn senior debt issue a 'BB-' Long-Term rating and 'A+(rus)' National Rating, the same level as its Long-Term IDRs and National Rating, reflecting Fitch's view of average recovery prospects, in case of default.

The subordinated debt ratings of HCFB and Tinkoff are notched down one level from their VRs (the banks' VRs are in line with their IDRs), including (i) zero notches for additional non-performance risk relative to the VR, as Fitch believes these instruments should only absorb losses once a bank reaches, or is very close to, the point of non-viability; and (ii) one notch for loss severity, reflecting below-average recoveries in case of default.

HCK
IDRS, VR and NATIONAL RATING
The upgrade of HCK's ratings reflects a further decrease of already moderate credit losses, resulting in robust earnings generation and solid capitalisation, which provide a significant safety buffer against potential deterioration of asset quality. The ratings continue to reflect the bank's relatively small size (less than 1% of banking system assets) and franchise focused on potentially volatile unsecured lending market in Kazakhstan, significant wholesale/money-market funding (partly received from related parties) and moderate liquidity.

HCK's credit losses significantly reduced to 7% in 9M16 (annualised) from 14% in 2015 due to tightening of underwriting standards in late 2014-early 2015 and improvement in recovery rates. On balance sheet loans 90 days overdue reduced to 7% (106% covered with reserves) at end-3Q16 from 10% (101%) at end-2015. The bank does not provide potentially risky foreign currency loans, so avoided the hit on credit quality from devaluation.

A recent decline in credit losses boosted the bank's already robust profitability, as reflected in an increase of annualised ROAE to 51% in 9M16 from 29% in 2015. High interest margin and commission income underpin consistently solid pre-impairment profitability (about 20% of average gross loans in 2014-9M16).

HCK's capitalisation is strong, despite sizeable dividends (around 70% of net income) paid out to the parent every year since 2013. HCK's FCC ratio at end-9M16 was a healthy 21% (22% at end-2015) and fairly close to the bank's total regulatory capital ratio (k2). The bank's loss absorption capacity is also strong. At end-9M16 it could potentially reserve extra 20% of gross loans before breaching regulatory capital adequacy requirements.

HCK has a moderate funding profile, as reflected in high, albeit decreasing, depositor concentration (the 20 largest customers accounted for 46% of total customer accounts at end-2Q16 compared to 59% at end-2Q15) and a high share of wholesale/money-market funding (39% of total liabilities). The share of group funding reduced to 9% at end-9M16 from 26% at end-2015 and the remainder is likely to be repaid by end-2016. The bank's liquidity position at end-10M16 was sufficient to repay all upcoming (in the next 12 months) market debt repayments, although the remainder would cover customer accounts by only 8%.

SUPPORT RATING
HCK's Support Rating of '4' reflects the limited probability of support that the bank may receive from its 100% parent, HCFB. In Fitch's view, HCFB's propensity to support HCK is high given the full ownership, the subsidiary's favourable performance to date, common branding and potential reputational damage for the broader Home Credit group in case of HCK's default. However, HCFB's ability to provide support to HCK is constrained by its own financial strength, as expressed by its 'B+' IDR.

SENIOR UNSECURED DEBT RATINGS
Fitch has upgraded HCK's senior unsecured debt Long-term rating and National rating to 'B+' and 'BBB(kaz)', respectively, the same level as its Long-Term IDRs and National Rating, reflecting Fitch's view of average recovery prospects, in case of default.

RATING SENSITIVITIES
RUSSIAN BANKS
OTP's IDR is sensitive to changes in Fitch's assessment of Hungarian OTP Bank Plc's propensity and ability to provide support to its Russian subsidiary.

An extended track record of reasonable performance, while maintaining adequate asset quality and capitalisation could result in moderate upside potential for HCFB and OTP's VR. Upside potential for Tinkoff's ratings is more limited (given its already one-notch higher rating) and would primarily require considerable diversification of business and earnings reducing the bank's exposure to risky Russian consumer finance market and protecting its performance from potentially significant volatility through the credit cycle.

OTP's VR and the ratings of HCFB and Tinkoff may come under pressure from renewed pressure on banks' asset quality, profitability and capital, but Fitch views this as unlikely in the near term.

OEB may be downgraded if it is unable to return to profitable performance and/or if its capital or asset quality becomes markedly weaker after the anticipated merger with Uniastrum Bank. Conversely, reasonable capital position of the merged entity, and moderation of losses from OEB's retail business may stabilise the ratings.

HCK
Upside potential for the HCK's IDRs is limited given the difficult operating environment, but the ratings could benefit from strengthening of the franchise and funding/liquidity profile, while maintaining reasonable asset quality and performance. Downgrade could result from a substantial deterioration of asset quality and/or capitalisation.

The rating actions are as follows:

Tinkoff
Long-Term Foreign and Local Currency IDRs: upgraded to 'BB-' from 'B+'; Outlooks Stable
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: upgraded to 'A+(rus)' from 'A(rus)'; Outlook Stable
Viability Rating: upgraded to 'bb-' from 'b+'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
Senior unsecured debt Long-term rating: assigned at 'BB-'
Senior unsecured debt National Long-term Rating: assigned at 'A+(rus)'
Subordinated debt (issued by TCS Finance Limited) Long-term rating: upgraded to 'B+' from 'B'

OTP
Long-Term Foreign and Local Currency IDRs: affirmed at 'BB', Outlooks Stable
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: affirmed at 'AA-(rus)', Outlook Stable
Viability Rating: affirmed at 'b+'
Support Rating: affirmed at '3'

HCFB
Long-Term Foreign and Local Currency IDRs: affirmed at 'B+'; Outlooks Stable
Short-Term Foreign Currency IDR: affirmed at 'B'
Viability Rating: affirmed at 'b+'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
Subordinated debt (issued by Eurasia Capital SA) Long-term rating: affirmed at 'B', Recovery Rating 'RR5'

OEB
Long-Term Foreign and Local Currency IDRs: affirmed at 'B-'; Outlooks Negative
Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'BB-(rus)'; Outlook Negative
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'

HCK
Long-Term Foreign and Local Currency IDRs: upgraded to 'B+' from 'B'; Outlooks Stable
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: upgraded to 'BBB (kaz)' from 'BB+ (kaz)'; Outlook Stable
Viability Rating: upgraded to 'b+' from 'b'
Support Rating: affirmed at '4'
Senior unsecured debt Long-term rating: upgraded to 'B+' from 'B', Recovery Rating 'RR4'
Senior unsecured debt National Long-term rating: upgraded to 'BBB (kaz)' from 'BB+ (kaz)'

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Applicable Criteria
Global Bank Rating Criteria (pub. 15 Jul 2016)
https://www.fitchratings.com/site/re/884135

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